

# **QUESTUS**

## **LAND DEVELOPMENT FUND**

ARSN 116 602 076

**Financial Report**

**for the year ended 30 June 2015**

**QUESTUS LAND DEVELOPMENT FUND**

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**Financial Report**

**for the year ended 30 June 2015**

**C O N T E N T S**

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## QUESTUS LAND DEVELOPMENT FUND

### RESPONSIBLE ENTITY'S REPORT

The Directors of the Responsible Entity present their report together with the financial report of the Questus Land Development Fund ('the Fund') for the year ended 30 June 2015.

#### Directors

The names of the Directors of the Responsible Entity who held office during or since the end of the year are:

David Somerville  
Robert Olde  
Anthony Brennan

*David Somerville (B.Bus, MBA, CPA, AFAIM) – Executive Director*

Mr Somerville has a background as a Certified Practising Accountant with considerable experience in capital raising, business development and property development over 25 years. Mr Somerville was a senior partner with a large Western Australian accounting practice, where he was responsible for a large number of clients across a broad range of industries, through the provision of accounting, taxation and management services. Mr Somerville was the founding director and shareholder of Questus Group in 2003.

Meetings Attended: 4 of 4.

*Robert Olde (Dip FS, AIMM) – Non-Executive Director*

Mr Olde studied Commerce at Murdoch University and holds a Diploma in Financial Planning and also holds a Triennial Certificate as a Real Estate and Business Agent from the Real Estate Institute of Western Australia. Mr Olde has considerable experience in the Funds Management sector and is a responsible officer on the companies within the group that hold AFSL's.

Meetings Attended: 4 of 4.

*Anthony Joseph Brennan – Non-Executive Director*

Professor Brennan holds a Bachelor of Laws degree from the University of Queensland, a Graduate Diploma in Legal Practice and has practiced with one of Australia's largest private law firms as a solicitor in the area of corporate advisory, mergers and acquisitions and banking and finance. Professor Brennan has worked for local and state government bodies, Australian blue chip companies and national and international banks. He brings to the Board extensive experience in corporate banking and finance transactions including development finance, general corporate banking matters and significant commercial property transactions.

Meetings Attended: 4 of 4.

## **QUESTUS LAND DEVELOPMENT FUND**

### **RESPONSIBLE ENTITY'S REPORT**

#### **Review of Operations**

During the financial period the Fund's principal activities involved the management of the remaining underlying assets of the Fund. During the period the Responsible Entity has continued its action against parties in relation to various breaches of contract, the actions are being undertaken to seek compensation for the significant losses incurred by the Fund as a direct result of the those breaches.

The operating loss of the consolidated entity after income tax was \$1,823,726 (2014: loss \$1,661,804).

#### **Distributions to Unit holders**

There were no distributions paid during the year ended 30 June 2015.

#### **Likely Developments and Expected Results**

Likely developments in the operations of the Fund and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Fund.

#### **Environmental Regulation**

The Fund's operations are not regulated by any significant environmental regulation under a Law of the Commonwealth or of a State or Territory.

## QUESTUS LAND DEVELOPMENT FUND

### RESPONSIBLE ENTITY'S REPORT

#### Insurance of Directors and Officers

During the financial period, the Responsible Entity paid insurance premiums in respect of a contract insuring all the directors and officers against a liability incurred as their role as directors and officers of the entity, except where the liability arises from fraudulent or dishonest conduct.

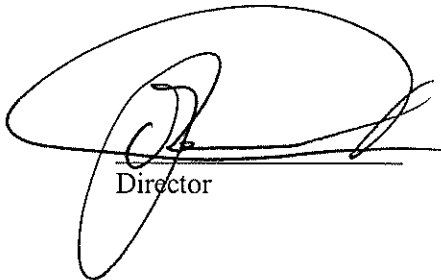
#### Directors' Units

No Directors have a direct interest in the Fund, nor do they have any rights or options over interests in the Fund or contracts to which the Director is a party or under which the Director is entitled to a benefit and that confer a right to call for or deliver an interest in the Fund.

The Directors hold shares directly and indirectly in Questus Ltd. Questus Capital Solutions Pty Ltd, a 100% owned subsidiary of Questus Ltd, owns 125,355.9229 units in the Fund (0.68%). David Somerville a director of Questus Funds Management Ltd, Questus Ltd and Questus Capital Group Pty Ltd is also a major shareholder of Questus Capital Group Pty Ltd. Questus Capital Group Pty Ltd owns 34,485.1369 units in the Fund (0.19%).

#### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within the financial statements.



Director

Dated:

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF  
QUESTUS FUNDS MANAGEMENT LIMITED**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
QUESTUS FUNDS MANAGEMENT LIMITED**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
QUESTUS FUNDS MANAGEMENT LIMITED**



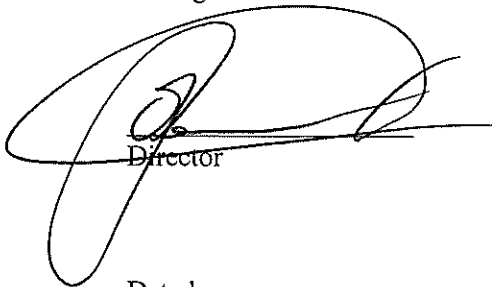
## QUESTUS LAND DEVELOPMENT FUND

### DIRECTORS' DECLARATION

The Directors of the Responsible Entity, Questus Funds Management Limited, declare that:

1. the financial statements and notes of the Fund are in accordance with the Corporation Act 2001, including:
  - (a) give a true and fair view of the Fund's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (b) comply with Australian Accounting Standards, the Corporation Regulations 2001 and the provisions of the Fund's Constitution.
2. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in Note 2(a).

This declaration is made in accordance with a resolution of the Board of Directors of Questus Funds Management Limited.



Director

Dated:

**QUESTUS LAND DEVELOPMENT FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2015

		<b>CONSOLIDATED</b>	
<b>Continuing operations</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
Revenue	3	3,438	1,182,022
Inventory costs		-	(1,525,426)
Write down of creditors		-	-
Loss from re consolidating subsidiaries	4(a)	(479,706)	-
Other expenses	4(b)	(819)	(700)
<b>(Loss) before finance and income tax expenses</b>		<u>(477,087)</u>	<u>(344,104)</u>
Interest and borrowing costs		(1,346,639)	(1,317,700)
<b>(Loss) before income tax</b>		<u>(1,823,726)</u>	<u>(1,661,804)</u>
Income tax	5	-	-
<b>(Loss) after income tax</b>		<u>(1,823,726)</u>	<u>(1,661,804)</u>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<u><u>(1,823,726)</u></u>	<u><u>(1,661,804)</u></u>

The accompanying notes form part of these financial statements

**QUESTUS LAND DEVELOPMENT FUND**  
**STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2015

		<b>CONSOLIDATED</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12(a)	2,574	6,170
Trade and other receivables	7	31,290	78,093
Other assets	8	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>33,864</b>	<b>84,263</b>
<b>TOTAL ASSETS</b>		<b>33,864</b>	<b>84,263</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	8,703,399	7,315,534
Borrowings	10	23,844,295	23,458,833
<b>TOTAL CURRENT LIABILITIES</b>		<b>32,547,694</b>	<b>30,774,367</b>
<b>TOTAL LIABILITIES</b>		<b>32,547,694</b>	<b>30,774,367</b>
<b>NET LIABILITIES</b>		<b>(32,513,830)</b>	<b>(30,690,104)</b>
<b>EQUITY</b>			
Issued capital	11	12,368,953	12,368,953
Accumulated losses		(44,882,783)	(43,059,057)
<b>TOTAL DEFICIENCY IN EQUITY</b>		<b>(32,513,830)</b>	<b>(30,690,104)</b>

The accompanying notes form part of these financial statements

**QUESTUS LAND DEVELOPMENT FUND**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2015**

<b>CONSOLIDATED</b>	<b>Issued capital</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 1 July 2014</b>	<b>12,368,953</b>	<b>(43,059,057)</b>	<b>(30,690,104)</b>
Loss for the year	-	(1,823,726)	(1,823,726)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(1,823,726)</b>	<b>(1,823,726)</b>
Issue of units	-	-	-
<b>At 30 June 2015</b>	<b>12,368,953</b>	<b>(44,882,783)</b>	<b>(32,513,830)</b>
<b>At 1 July 2013</b>	<b>12,368,953</b>	<b>(41,397,253)</b>	<b>(29,028,300)</b>
Loss for the year	-	(1,661,804)	(1,661,804)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(1,661,804)</b>	<b>(1,661,804)</b>
Issue of units	-	-	-
<b>At 30 June 2014</b>	<b>12,368,953</b>	<b>(43,059,057)</b>	<b>(30,690,104)</b>

The accompanying notes form part of these financial statements

**QUESTUS LAND DEVELOPMENT FUND**  
**STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2015

	Note	CONSOLIDATED	
		2015	2014
		\$	\$
Cash flows from operating activities			
Receipts from customers		51,101	1,231,899
Payments to suppliers		(819)	(83,621)
Interest received		139	204
<b>Net cash flows from / (used in) operating activities</b>	12(b)	<b>50,421</b>	<b>1,148,482</b>
Cash flows from financing activities			
Proceeds from borrowings		-	51,374
Repayment of borrowings		(54,017)	(1,199,856)
<b>Net cash flows used in financing activities</b>		<b>(54,017)</b>	<b>(1,148,482)</b>
Net decrease in cash and cash equivalents		(3,596)	-
Cash and cash equivalents at beginning of year		6,170	6,170
<b>Cash and cash equivalents at end of year</b>	12(a)	<b>2,574</b>	<b>6,170</b>

The accompanying notes form part of these financial statements

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

1. TRUST INFORMATION

Questus Land Development Fund ('the Fund') is an Australian registered management investment scheme. Questus Funds Management Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia.

This financial report of Questus Land Development Fund for the year ended 30 June 2015 comprises the Fund and its subsidiaries ('the consolidated entity').

The registered office and principal place of business of the Responsible Entity is located at 105 Railway Road, Subiaco WA 6008.

The nature of the operations and principal activities of the Fund are described in the Responsible Entity's Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Constitution of Questus Land Development Fund, the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations) of the Australian Accounting Standards Board. The Fund is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**Adoption of new and revised standards**

The Fund has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Fund.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

*Going Concern*

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Fund and consolidated entity incurred net losses of \$2,422,664 and \$1,823,726 respectively for the year ended 30 June 2015. As at 30 June 2015, the Fund had net current liabilities/net liabilities of \$19,277,183 and the consolidated entity had net current liabilities/net liabilities of \$32,513,830.

These factors indicate significant uncertainty as to whether the Fund and consolidated entity will be able to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors of the Responsible Entity believe there are reasonable grounds that the Fund and consolidated entity will be able to continue as going concerns, after consideration of the following factors:

- The successful judgement against Valuestream Investments Management Ltd as Responsible Entity for the Addwealth Achiever Fund, regarding its original statutory demand;
- An expected favourable resolution regarding Primary Securities Pty Ltd as Responsible Entity for the Addwealth Achiever Fund, regarding its Writ of Summons;
- An expected favourable resolution with Addwealth Pty Ltd in the Fund's claim against it, for non-performance pursuant to the Memorandum of Understanding dated 10 August 2010;
- The ability of the Responsible Entity to financially support the fund;
- Questus Limited's position of not presently pursuing the Fund, for payment of monies owed;
- The structure of the Fund's investment such that the Fund can divest itself of its subsidiary investments without further cost;
- All lending being non-recourse to the unit holders of the Fund; and
- The ability of the Fund, to issue additional units, in accordance with the provisions of the *Corporations Act 2001*.

Accordingly, the Directors of the Responsible Entity based on the above factors consider that the Fund and consolidated entity are deemed to be going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

Chapter 5C of the Corporations Act, Section 601FC (2) provides for managed investment schemes to be treated as trusts and as such are not legal entities. The Directors of the Responsible Entity will be required to call a meeting of Unitholders to seek to wind up the Fund if they consider the purpose of the Fund cannot ultimately be achieved. Alternatively, the Directors of the Responsible Entity may apply to the Court, under Section 601ND(1)(a), to seek a winding up order for the Fund, in certain circumstances.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

*Going Concern (Continued)*

Until such time as an outcome of the claims against Addwealth Pty Ltd and Valuestream Investment Management Limited as the responsible entity of the Addwealth Achiever Fund are known, in the opinion of the Directors, it is appropriate to continue the operations of the Fund and consolidated entity and in consideration of the matters disclosed above, it is also appropriate to continue to adopt the going concern basis of accounting for the Fund and consolidated entity.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Fund or consolidated entity do not continue as going concerns.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Questus Land Development Fund at the end of the reporting period. A controlled entity is any entity over which Questus Land Development Fund has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Fund during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Fund have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Fund.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a Fund, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(c) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.



**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax related to items that are recognized outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognized only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilized.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognized where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realization and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realization and settlement of the respective asset and liabilities will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

*Tax Consolidation*

Questus Land Development Fund and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Fund recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Fund notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2006. The tax consolidated group has entered a tax funding arrangement whereby each entity in the Fund contributes to the income tax payable by the tax consolidated group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by or distribution to the head entity.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Fund will not be able to collect the debts. Bad debts are written off when identified.

(g) Inventories

Inventories consist of land held for development and sale and are valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Borrowing costs, foreign currency movements and holding charges incurred after development is completed, are expensed.

Revenue is brought to account on the settlement of contract of sale.

(h) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(i) Investments and other financial assets

The Fund's direct investments in its subsidiaries are carried at cost less any provision for impairment. Balances and transactions between the Fund and the subsidiaries have been eliminated in preparing the consolidated financial report.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(j) Impairment of assets

At each reporting date, the Fund reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(k) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid and arise when the Fund becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables to related parties are recognised and carried at the nominal amount due.

(l) Revenue

*Sale of land*

Revenue and profits from the sale of blocks from completed stages of land subdivision are recognised on settlement of the sale. This represents the point when risk and rewards have passed to the buyer.

*Interest revenue*

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(n) Financial Instruments

*Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

*Classification and Subsequent Measurement*

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

*Amortised cost* is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortization of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Fund does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

*i. Financial assets at fair value through profit or loss*

Financial assets are classified at ‘fair value through profit or loss’ when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(n) Financial Instruments (cont.)

*ii. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

*iii. Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Fund's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

If during the period the Fund sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

*iv. Available-for-sale financial assets*

Available-for-sale assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognized in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognized, the cumulative gain or loss pertaining to that asset previously recognized in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

*v. Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(n) Financial Instruments (cont.)

*Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

*Impairment*

At each reporting date, the Fund assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognized in other comprehensive income is reclassified to profit or loss at this point.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(o) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

In the opinion of the directors, there are no key estimates and judgments for the year ended 30 June 2015.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

	<b>CONSOLIDATED</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>3. REVENUE</b>		
Sale of inventory	-	1,181,818
Interest income	139	204
Rental	2,910	-
Debt forgiveness	389	-
	3,438	1,182,022

**4(a) LOSS FROM RECONSOLIDATION OF SUBSIDIARIES**

Net loss on Reconsolidation of subsidiaries	479,706	-
	479,706	-

On 1 July 2011, Questus Land Development Fund lost control of QLDF Development 1 Pty Ltd. The loss of control was due to the appointment of receivers and managers. Due to this loss of control, the results of this subsidiary have been deconsolidated at that date.

On 30 October 2014, Questus Land Development Fund regained control of QLDF Development 1 Pty Ltd. The control regained was that the receivers and managers handed the companies back to Questus Land Development Fund. Due to this, the results of these subsidiaries have been reconsolidated at that date.

The loss above is a reflection of activities during the period when control of the company as regained within the financial year.

**4(b) OTHER EXPENSES**

Others	819	8,654
Property expenses (Reduction in Land Tax included)	-	(18,036)
Responsible officer fees	-	10,082
	819	700

The Responsible Entity during the year has supported the Fund with the payment of \$654,058 (2014: \$415,284) in expenses. Included in the expenses paid by the Responsible Entity is the audit of the Fund for the year. The audit fee is \$12,500 for 30 June 2015 and 30 June 2014, respectively.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2015

	<b>CONSOLIDATED</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>5. INCOME TAX EXPENSE</b>		
The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss before income tax at 30% (2014: 30%)	547,118	498,541
Tax effect of:		
— non-assessable items	-	-
— equity raising (sec 40-880)	-	1,065
Tax benefit not being brought to account	(547,118)	(499,606)
Income tax benefit/(expense)	-	-

The Fund is consolidated for income tax purposes. At reporting date, the tax consolidated group had tax losses of \$43,685,233 (2014: \$41,861,507) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$13,105,570 (2014: \$12,558,452). The benefits will only be obtained if:

- (a) the Fund derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (b) the Fund continues to comply with the conditions for deductibility imposed by the law; and
- (b) no changes in tax legislation adversely affect the Fund in realising the benefit from the deductions for the losses.



**QUESTUS LAND DEVELOPMENT FUND**  
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For the year ended 30 June 2015

6. PARENT ENTITY DISCLOSURES

<b>a) Financial Information Parent</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
(Loss) for the year	(2,422,664)	(1,480,673)
Total comprehensive (loss)	<u>(2,422,664)</u>	<u>(1,480,673)</u>
<b>Assets</b>		
Current assets	8,863	12,102
Total Assets	<u>8,863</u>	<u>12,102</u>
<b>Liabilities</b>		
Current liabilities	19,286,047	16,866,621
Total Liabilities	<u>19,286,047</u>	<u>16,866,621</u>
<b>Equity</b>		
Issued capital	12,368,953	12,368,953
Accumulated losses	(31,646,136)	(29,223,472)
Total deficiency in equity	<u>(19,277,183)</u>	<u>(16,854,519)</u>

**b) Guarantees**

The Fund did not enter into a deed of cross guarantee for its subsidiaries for both financial years ended 30 June 2015 and 30 June 2014.

**c) Other Commitments and Contingencies**

The Fund has no commitments to acquire property, plant and equipment, and has no contingent liabilities other than those disclosed in Note 18.

7. TRADE AND OTHER RECEIVABLES

Refund of Land Tax	-	47,803
GST receivable	-	-
Advance to related entities	31,290	30,290
	<u>31,290</u>	<u>78,093</u>

8. OTHER ASSETS

Option fees paid	350,000	350,000
Less: Impairment	(350,000)	(350,000)
	<u>-</u>	<u>-</u>

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2015

**CONSOLIDATED**  
**2015**                      **2014**  
\$                                      \$

9. TRADE AND OTHER PAYABLES

	2015	2014
	\$	\$
Current		
Trade creditors and accruals	518,846	330,481
Other creditors	1,300,003	1,300,000
GST payable	82,375	99,803
Distribution payable	1,334	1,334
Interest payable	6,800,841	5,583,916
	8,703,399	7,315,534

10. BORROWINGS

Current		
Loan – Questus Mortgage Funds Ltd (a)	2,997,509	2,795,284
Loan – Questus Limited (a)	10,476,786	10,333,549
Loan – Margen Pty Ltd (a)	400,000	400,000
Loan – Addwealth Achiever Fund (b)	9,630,000	9,630,000
Loan – Gilpear/Nunns (a)	300,000	300,000
Loan – FRSL Pty Ltd (a)	40,000	-
	23,844,295	23,458,833

(a) The short term loans are unsecured and repayable on demand.

(b) The loans are unsecured charged with interest of 12% p.a and repayable on demand.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2015

**CONSOLIDATED**  
**2015**                      **2014**  
**\$**                              **\$**

11. ISSUED CAPITAL

Unitholders	12,368,953	12,368,953
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<b>Reconciliation</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>No.</b>	<b>No.</b>
At the beginning of reporting period	12,368,953	12,368,953	18,517,708	18,517,708
Issued of units	-	-	-	-
Unit raising costs	-	-	-	-
At reporting date	12,368,953	12,368,953	18,517,708	18,517,708

**Capital Management**

The Responsible Entity controls the capital of the Fund in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Fund can fund its operations and continue as a going concern.

The Fund's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

The gearing ratios for both financial years are as follows:

		<b>CONSOLIDATED</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>	
Total borrowings	9,10	32,547,694	30,774,367	
Less cash and cash equivalents	12(a)	(2,574)	(6,170)	
Net debt		32,545,120	30,768,197	
Total equity		(32,513,830)	(30,690,104)	
Total capital		31,290	78,093	

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2015

**CONSOLIDATED**  
**2015**                      **2014**  
\$                                      \$

12. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank and on hand	2,574	6,170
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(b) Reconciliation of net cash provided by operating activities to loss after tax

Loss after tax	(1,823,726)	(1,661,804)
<i>Non cash items:</i>		
Loss on reconsolidation of subsidiaries	479,706	-
<i>Movement in assets and liabilities:</i>		
Receivables	47,803	50,082
Payables	-	1,260,204
Inventory	-	1,500,000
Interest payable	1,346,638	-
Net cash from / (used in) operating activities	50,421	1,148,482

**QUESTUS LAND DEVELOPMENT FUND**  
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For the year ended 30 June 2015

13. CONTROLLED ENTITIES

(a) Controlled entities consolidated

Investments in controlled entities at cost less impairment:

Name	Country	EQUITY INTEREST	
		2015 %	2014 %
QLDF Development 1 Pty Ltd	Australia	100	-
QLDF Development 2 Pty Ltd	Australia	100	100
QLDF Development 3 Pty Ltd	Australia	100	100
QLDF Development 4 Pty Ltd	Australia	100	100
QLDF Development 68 Road Pty Ltd	Australia	100	100
Yalop Pty Ltd	Australia	100	100

The above subsidiaries are all domiciled in Australia and have balance dates of 30 June, consistent with the Fund.

(b) Acquisition of Controlled Entities

In the current year, QLDF Development 1 Pty Ltd has a notice lodged with Australian Securities Investment Commission (ASIC) notifying receivers and managers ceasing to act on the 14 October 2014. This event is treated as an acquisition of a company as control of the company has been returned to the Fund.

The fair value of the identifiable assets and liabilities of QLDF Development 1 Pty Ltd as at the date of acquisition are:

	Recognised at acquisition \$
Trade and other receivables	17,428
Trade and other payables	(251,761)
Borrowings	(1,209,639)
Fair value of identifiable net liabilities	<u>(1,443,972)</u>

**QUESTUS LAND DEVELOPMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2015**

**CONSOLIDATED**  
**2015**                  **2014**  
\$                                  \$

14. RELATED PARTY DISCLOSURES

(a) Responsible Entity

The Responsible Entity of the Fund is Questus Funds Management Limited, whose ultimate parent entity is Questus Limited.

(b) Related party transactions

*Loans payable:*

The following amounts appeared as loans payable in Questus Land Development Fund or its subsidiaries at 30 June:

Questus Limited	10,516,786	10,333,549
Questus Mortgage Funds Ltd	2,997,509	2,795,284
	13,514,295	13,128,833

*Loans receivable:*

The following amounts appeared as loans receivable in Questus Land Development Fund or its subsidiaries at 30 June:

Questus Capital Group Pty Ltd	31,290	30,290
	31,290	30,290

*Services received by the Ultimate Parent Entity and its subsidiaries*

The following fees were paid or payable to Questus Funds Management Limited:

Expense recoveries	-	17,582
	-	17,582

**QUESTUS LAND DEVELOPMENT FUND**  
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**CONSOLIDATED**  
**2015**            **2014**  
\$                    \$

15. RELATED PARTY DISCLOSURES (cont.)

(b) Related party transactions (cont.)

*Transactions between entities with common directors*

The following fees were paid or payable to Questus Limited:

Interest expense	191,039	165,644
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*Transactions between Questus Land Development Fund and Key Management Personnel*

(c) Details of key management personnel

Directors

The Directors of Questus Funds Management Limited, the Responsible Entity of Questus Land Development Fund are considered to be key management personnel of the Fund.

The names of the Directors of the Responsible Entity in office during the financial period were:

David Somerville  
Robert Olde  
Anthony Brennan

(d) Compensation of key management personnel

No payments were made to key management personnel by the Fund. The Responsible Entity as part of its services provided for its management fee has paid some of the key management personnel in regard to work performed in relation to the Fund.

(e) Units in the Fund held by key management personnel

Key management personnel do not hold any units in the Fund directly at year end, nor have they held any units in the Fund during the year.

David Somerville and Robert Olde hold shares directly and indirectly in Questus Ltd. Questus Capital Solutions Pty Ltd, a 100% owned subsidiary of Questus Ltd owns 125,356 units in the Fund (0.68%).

David Somerville holds shares indirectly in Questus Capital Group Pty Ltd , Questus Capital Group Pty Ltd owns 34,485 units in the Fund (0.19%).

**QUESTUS LAND DEVELOPMENT FUND**  
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**For the year ended 30 June 2015**

16. FINANCIAL INSTRUMENTS

**Financial Risk Management Policies**

The Fund's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries and loans from banks.

The main purpose of non-derivative financial instruments is to raise finance for the Fund's operations. Derivatives are not used by the Fund.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Entity	
		2015	2014
		\$	\$
<b>Financial Assets</b>			
Cash and cash equivalents	12(a)	2,574	6,170
Loans and receivables	7	31,290	78,093
<b>Total Financial Assets</b>		<u>33,864</u>	<u>84,263</u>
<b>Financial Liabilities</b>			
Financial liabilities at amortised cost			
— Trade and other payables	9	8,703,399	7,315,534
— Borrowings	10	23,844,295	23,458,833
<b>Total Financial Liabilities</b>		<u>32,547,694</u>	<u>30,774,367</u>



**QUESTUS LAND DEVELOPMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2015**

16. FINANCIAL INSTRUMENTS (cont.)

(i) Treasury Risk Management

The Board of the Responsible Entity reviews the financial risk exposure and evaluates management strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the Fund in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of the Responsible Entity on a regular basis. These include credit risk policies and future cash flow requirements. Due to appointment of the receivers and managers of the subsidiaries, the Responsible Entity is working on the strategy to minimise the risk exposure of the Fund and currently is working with various parties to secure a refinancing of the primary debt, which will bring the companies out of formal administration. The Responsible Entity is also pursuing parties over their failure to re finance as agreed.

(ii) Financial Exposures and Management

The main risks the Fund is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

*Interest rate risk*

Interest rate risk is managed with a mixture of fixed and floating rate debt.

At 30 June 2015, approximately 100% of the Fund's debt is fixed.

It is the policy of the Fund to keep more than 50% of debt on fixed interest rates, dependent on market interest rate trends.

The Responsible Entity will seek to actively manage interest rate risk in line with movements in interest rates.

*Liquidity risk*

The Fund manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The Responsible Entity will actively manage the borrowings of the Fund in line with the status of various projects being undertaken by the Fund.

The table below reflects undiscounted contractual maturity analysis for financial assets and liabilities:

<b><u>2015</u></b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
	\$	\$	\$
Financial Assets			
Cash assets	2,574	-	2,574
Receivables	31,290	-	31,290
	33,864	-	33,864
Financial Liabilities			
Payables	8,703,399	-	8,703,399
Borrowings	23,844,295	-	23,844,295
	32,547,694	-	32,547,694

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

16. FINANCIAL INSTRUMENTS (cont.)

*Liquidity risk (cont.)*

<u>2014</u>	Within 1 year \$	1 to 5 years \$	Total \$
Financial Assets			
Cash assets	6,170	-	6,170
Receivables	78,093	-	78,093
	<u>84,263</u>	<u>-</u>	<u>84,263</u>
Financial Liabilities			
Payables	(7,315,534)	-	(7,315,534)
Borrowings	(23,458,833)	-	(23,458,833)
	<u>(30,774,367)</u>	<u>-</u>	<u>(30,774,367)</u>

*Credit risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Fund does not have any material credit risk exposure to a single receivable or group receivables under financial instruments entered into by the Fund.

There are no amounts of collateral held as security at 30 June 2015.

Credit risk is managed and reviewed regularly by the Board of the Responsible Entity. It arises from exposures to customers as well as through deposits with financial institutions.

Credit risk is monitored by actively assessing the rating quality and liquidity of counterparties:

- only banks and financial institutions with an 'A' rating are utilised;
- all potential tenants are rated for credit worthiness taking into account their size, market position and financial standing.

The receivables balances at 30 June 2015 and 30 June 2014 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS (cont.)

(iii) Financial Instruments Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the statement of financial position.

<u>2015</u>	Weighted average Interest rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non-interest	Total
		\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash assets	-%	2,574	-	-	-	2,574
Receivables		-	-	-	31,290	31,290
		2,574	-	-	31,290	33,864
<b>Financial Liabilities</b>						
Payables		-	-	-	(8,703,399)	(8,703,399)
Borrowings	12%	-	(20,106,786)	-	(3,737,509)	(23,844,295)
			(20,106,786)		(12,440,908)	(32,547,694)
Net financial (liabilities)		2,574	(20,106,786)		(12,409,618)	(32,513,830)
<u>2014</u>	Weighted average Interest rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non-interest	Total
		\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash assets	-%	6,170	-	-	-	6,170
Receivables		-	-	-	78,093	78,093
		6,170	-	-	78,093	84,263
<b>Financial Liabilities</b>						
Payables		-	-	-	(7,315,534)	(7,315,534)
Borrowings	12%	-	(19,963,549)	-	(3,495,284)	(23,458,833)
			(19,963,549)		(10,810,818)	(30,774,367)
Net financial (liabilities)		6,170	(19,963,549)	-	(10,732,725)	(30,690,104)

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS (cont.)

(iii) Financial Instruments Composition and Maturity Analysis (cont.)

Trade and sundry payables are expected to be paid as follows:

	<b>Consolidated Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Less than 6 months	-	-
6 months to 1 year	-	-
1 year to 2 years	8,703,399	7,315,534
	<u>8,703,399</u>	<u>7,315,534</u>

(iv) Net Fair Values

For other assets and other liabilities the net fair value approximates their carrying value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at reporting date:

	<b>2015</b>		<b>2014</b>	
	<b>Carrying Amount</b>	<b>Net Fair Value</b>	<b>Carrying Amount</b>	<b>Net Fair Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	2,574	2,574	6,170	6,170
Trade and other receivables	31,290	31,290	78,093	78,093
	<u>33,864</u>	<u>33,864</u>	<u>84,263</u>	<u>84,263</u>
<b>Financial liabilities</b>				
Borrowings	23,844,295	23,844,295	23,458,833	23,458,833
Trade and other payables	8,703,399	8,703,399	7,315,534	7,315,534
	<u>32,547,694</u>	<u>32,547,694</u>	<u>30,774,367</u>	<u>30,774,367</u>

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

16. FINANCIAL INSTRUMENTS (cont.)

(v) Sensitivity Analysis

*Interest Rate Risk*

The Fund has performed sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

*Interest Rate Sensitivity Analysis*

At 30 June 2015 and 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Carrying amount \$	-1% change		+1% change	
		Profit \$	Equity \$	Profit \$	Equity \$
<b>2015</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	2,574	(26)	(26)	26	26
<i>Financial liabilities</i>					
Borrowings	-	-	-	-	-
Total Increase/(Decrease)		<u>(26)</u>	<u>(26)</u>	<u>26</u>	<u>26</u>
	Carrying amount \$	-1% change		+1% change	
		Profit \$	Equity \$	Profit \$	Equity \$
<b>2014</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	6,170	(62)	(62)	62	62
<i>Financial liabilities</i>					
Borrowings	-	-	-	-	-
Total Increase/(Decrease)		<u>(62)</u>	<u>(62)</u>	<u>62</u>	<u>62</u>

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

All borrowings are on predetermined fixed rates and hence a shift in interest rates will have no effect.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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17. EVENTS SUBSEQUENT TO THE REPORTING DATE

There are no material events subsequent to balance date.

18. CONTINGENCIES

Questus Funds Management Ltd as responsible entity of the Questus Land Development Fund has commenced proceedings against Primary Securities Limited as the responsible entity of the Addwealth Achiever Fund and Valuestream Investment Management Limited as the previous responsible entity of the Addwealth Achiever Fund for breach of the Memorandum of Understanding in respect of which it is believed that the undertakings given and commitments made in the context of the Memorandum of Understanding have not been fulfilled.

Primary Securities Limited as responsible entity of the Addwealth Achiever Fund has also commenced proceedings in the WA Supreme Courts against Questus Funds Management Ltd as responsible entity of the Questus Land Development Fund for the recovery of monies advanced under convertible notes (loan) issued by the Fund to Valuestream Investment Management Limited as the responsible entity of the Addwealth Achiever Fund.

In respect to the above, the Plaintiffs in each of the cases have requested the WA Supreme Court join the matters. The matters have been joined and to be heard contemporaneously in due course.

In the course of its normal business, the Fund occasionally receives claims or writs for damages and other matters arising from its operations. Where, in the opinion of the directors of the responsible entity, it is deemed appropriate, a specific provisions is made in relation to such matters, otherwise the directors deem such matters to be either without merit or of such kind or involve such amounts that would not have a material adverse effect on the operating results or financial position of the Fund if disposed of unfavourably. As at the date of this report, no specific provisions have been made in relation to such matters.

**QUESTUS LAND DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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21. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIOD

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Fund for the annual reporting period ended 30 June 2015. The Fund's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Fund will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Fund.